

Weekly Economic Review

Inflation eases as energy prices drop

Consumer Price Index

Losing energy

In June, Alberta inflation was 1.9% after holding above 2.3% in the previous five months. Energy prices, which fell 6.4% from a year earlier, were the main cause for the drop in inflation (Chart 1). This is a reversal from March, when a spike in energy prices pushed inflation higher. Inflation excluding energy rose 0.2 percentage points to 2.7%, driven higher by food (+3.8%) and both owned (+3.9%) and rented (+3.0%) accommodation.

Canadian inflation ticked up to 2.4% in June. This was the first month since February 2013 that inflation in Alberta was lower than the national average.

Resale Housing

Calgary drives resale activity

Resale market activity in the province increased across the board, with sales up 8.0% year-over-year (y/y), new listings up 8.8% y/y and prices up 5.5% y/y (Chart 2). Calgary continues to drive the Alberta market, capturing around half of sales, new listings and dollar volumes. Sales in Calgary grew by 13.8% y/y, and new listings by 21.0%, the largest increase in new listings since June 2010. The strong growth in new listings helped ease Calgary's tight housing market, bringing the sales-to-new-listings ratio down to 0.68 in June from 0.72 in May. Sales in Edmonton edged down by 1.1% y/y and new listings fell by 1.4% y/y.

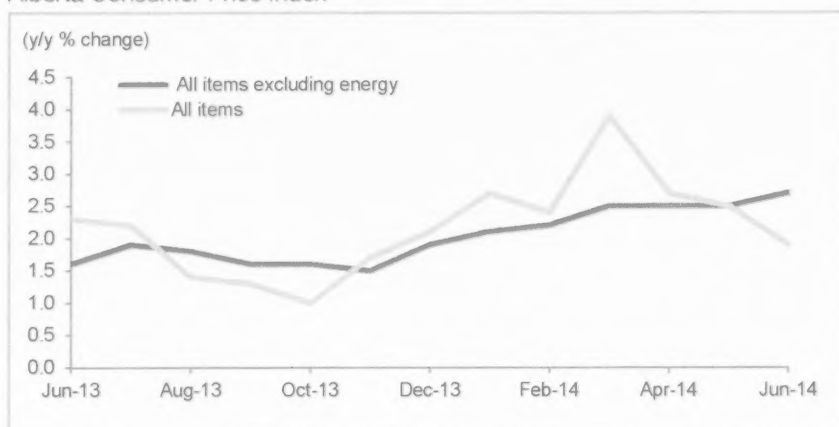
Nationally, sales were up 12.6% y/y, new listings were up 5.5% y/y and prices were up 7.0% y/y in June, with Vancouver and Toronto driving the gains.

New Motor Vehicle Sales

Sales in neutral

The number of new vehicles sold in Alberta edged up slightly (0.5% y/y) in May to 26,584, the second highest on record after May 2007. Truck sales (4.8% y/y) led growth while passenger car sales (-11.8% y/y) were down on a year-over-year basis for the fifth time in the past six months. Despite the number of vehicles sold

Chart 1: Falling energy prices moderate inflation
Alberta Consumer Price Index



Source: Statistics Canada

Chart 2: Sales, listings and prices all continue to grow
Alberta Resale Housing Market



Source: CREA

being relatively flat, the value of sales climbed 5.8% y/y. Nationally, May sales were up 4.6% y/y, with trucks up 11.7% y/y and passenger cars down 3.9% y/y.

Manufacturing Shipments

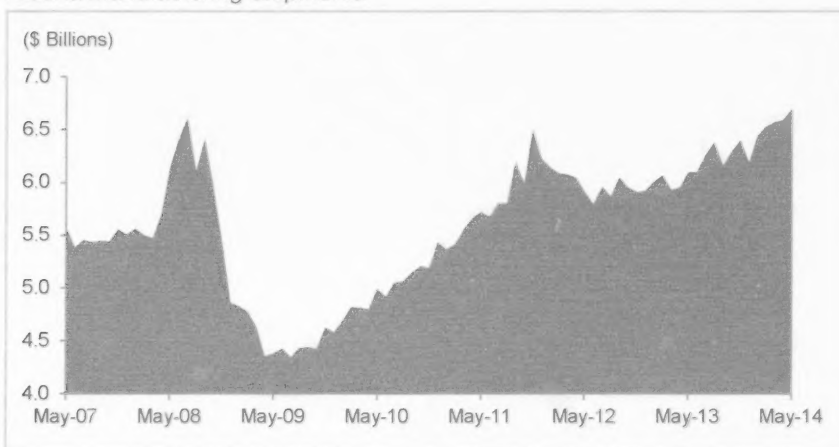
Sales at an all-time high

Shipments of manufactured goods from Alberta reached an all-time high of \$6.7 billion in May (Chart 3), eclipsing the previous high from July 2008. Shipments were up 9.8% over May 2013, and up 1.6% from the previous month. Sales of petroleum & coal products continued to rally, increasing 29.9% y/y and accounting for the bulk of total shipments growth. Sales have been aided in recent months by higher

prices for refined petroleum products. Increased fabricated metal and non-metallic mineral sales more than offset decreased shipments from the wood product and machinery manufacturing industries.

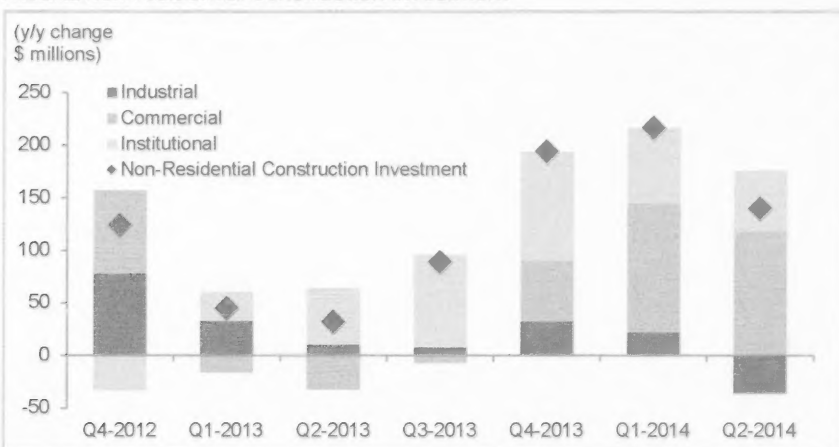
Alberta manufacturing shipments are up 9.2% year-to-date, the second highest growth rate among the provinces, behind only Saskatchewan.

Chart 3: Manufacturing sales reach record high
Alberta Manufacturing Shipments



Source: Statistics Canada

Chart 4: Commercial construction drives growth
Alberta non-residential construction investment



Source: Statistics Canada

Non-residential Construction

Mixed growth

Investment in non-residential building construction was \$2.6 billion in the second quarter, up 5.7% y/y, but down 2.2% from the first quarter. Institutional construction has had the highest growth rate, up 16.9%, largely the result of investment outside Edmonton and Calgary. However, in dollar terms, the bulk of growth has come from commercial construction, up \$118 million (6.8%) from the second quarter of 2013 (Chart 4). Investment in industrial construction fell 12.5% from the first quarter, the second consecutive quarterly decline and 9.5% lower than the second quarter of 2013.

Bank of Canada

Central bank stays course

The Bank of Canada remains neutral on the "timing and direction" of an eventual interest rate change, despite inflation above the Bank of Canada's target of 2%. The Bank noted that many of the factors pushing up inflation are likely to be temporary, especially the effects of a lower Canadian dollar and higher food and energy prices. Persistent slack in the Canadian economy, suggests that the underlying fundamentals that drive inflation remain weak.

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Please see the [Alberta Economy- Indicators at a Glance](#) for a snapshot of Alberta indicators.